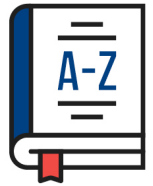


Your Ultimate Guide to Mortgage Terms



We understand that when it comes to buying a home, education is key. Here are some of the most common mortgage terms you're likely to encounter throughout the home buying process.

Adjustable-Rate Mortgage (ARM): Typically, a lower initial interest rate that changes over the life of the loan. After the initial ARM period, the loan will adjust to a fixed rate based on the current index and loan margin.

Annual Percentage Rate (APR): Percentage reflecting both the interest rate and any additional costs associated with obtaining the mortgage. Additional costs could include loan origination fees, mortgage discount points, private mortgage insurance (PMI), closing costs and other broker and lender fees.

Appraised Value: An opinion of a property's fair market value based on an appraiser's knowledge, experience, and analysis of the property. Appraisal is based primarily on comparable sales.

Borrower: A person that receives money from a mortgage company with the agreement that the money will be repaid.

Buyer's Market: Low prices resulting from a market that has more sellers than buyers. Buyers have a wide range of choices and tend to have an advantage over sellers.

Cash Out: A refinancing option that pays off your existing first mortgage to get a new mortgage and new payment plus extra cash at closing. Cash-out allows for clients to pay off debt, renovate property, pay for college, etc.

Closing: In some states, a real estate transaction is not considered "closed" until the documents are recorded at the local recorder's office. In others, it's a meeting where all of the documents are signed and the money changes hands.

Closing Disclosure: Provides final details about the mortgage loan you have selected, including loan terms, projected monthly payments and additional fees and costs.

Construction Perm: Used to purchase land and finance the construction of a new home. We offer long-term rate locks and a one-time close to avoid paying two sets of closing costs.

Contingency: A condition that must be met before a contract is legally binding.

Conventional Loan: Our most popular loan, starting at 3% down. Ideal for borrowers with established credit and often offers a lower interest rate and Annual Percentage Rate (APR) than other types of fixed-rate loans.

Credit Report: A confidential report detailing the credit history of a prospective borrower.

Down Payment: The down payment is the amount the buyer is paying upfront in cash. It is the difference between a home's purchase price and the amount of the mortgage.

Earnest Money Deposit: A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Equity: A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

FHA Loan: Offered by the Federal Housing Authority. A very popular mortgage solution with a down payment starting at 3.5% and more flexible lending requirements.

Flood Insurance: Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

Foreclosure: If you default on your mortgage payments, the bank or lender has the legal right to take back your house and sell it.

Grantee: The person to whom an interest in real property is conveyed.

Grantor: The person conveying an interest in real property.

Hazard Insurance: Insurance coverage that protects in the event of physical damage to a property from fire, wind, vandalism, or other hazards.

Home Inspection: A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

Homeowner's Insurance: An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

Interest Rate: The rate at which interest is paid by borrowers for the use of money that they borrow from lenders.

Legal Description: A property description, recognized by law that is sufficient to locate and identify the property without oral testimony.

Loan Estimate: Informs you of important loan details such as your estimated interest rate, APR, loan terms, taxes, insurance, monthly payment and closing costs.

Purchase Agreement: A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Real Estate Settlement Procedures Act (RESPA): A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

Refinance: Replacing an original mortgage with a new mortgage. Refinancing commonly allows a borrower to obtain a new mortgage with a better interest term and rate.

Renovation/Repair Loan: For the renovation or repair of an existing home. Features a "subject to" appraisal so that the value includes proposed improvements.

Right of First Refusal: Clause in a contract that requires the owner of a property to give another party the first opportunity to buy or lease it.

USDA Loan: Up to 100% financing for rural housing provided by the United States Department of Agriculture. The property must be in USDA approved rural area.

VA Loan: Up to 100% financing for qualified active-duty, veterans, reservists and some surviving spouses provided by the U.S. Department of Veterans Affairs. Offers no private mortgage insurance and little out of pocket costs.

For all of your real estate and mortgage needs, call your trusted local professionals today!



Emily Hart
Mortgage Loan Officer
NMLS# 1423138
717-315-380
Emily.Hart@HomeSaleMortgage.com
HomeSaleMortgage.com/EmilyHart



Scan to Apply



Bethany Walker
Mortgage Loan Officer
NMLS#: 2530777
717-465-8137
Bethany.Walker@HomeSaleMortgage.com
HomeSaleMortgage.com/BethanyWalker



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